



# Interim report **First half 2021**



KOMMUNEKREDIT  
STEADY & STABLE

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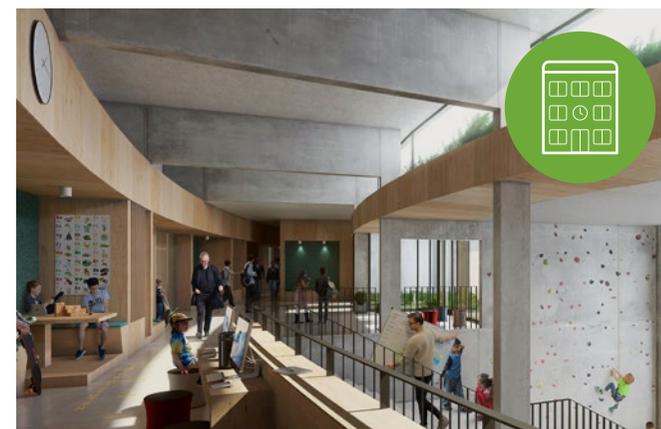
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**Excess heat benefiting  
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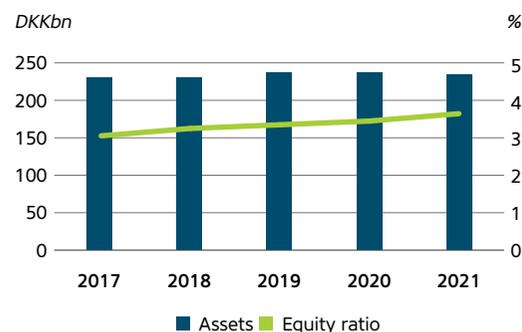


**Denmark's first  
Swan-ecolabelled school**

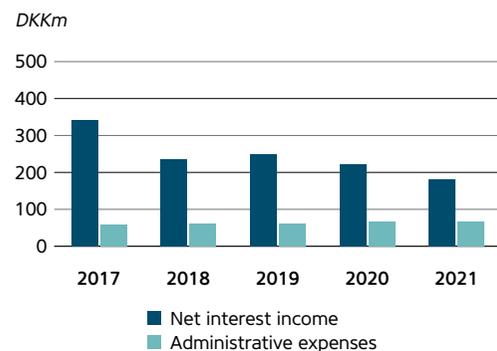
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# Key figures and financial ratios

## Assets and equity ratio first half 2017-2021



## Net interest income and administrative expenses first half 2017-2021



DKKm	First half 2021	First half 2021	First half 2020	Full year 2020
	EUR	DKK	DKK	DKK
<b>Key figures for the period</b>				
Net interest income	24	180	221	440
Other operating income	0	3	5	15
Other operating expenses	-1	-7	-8	-14
Administrative expenses	-9	-68	-67	-130
Profit before value adjustments	15	109	152	311
Value adjustment of financial instruments	26	190	35	-33
Tax on profit for the period	-9	-66	-41	-60
Comprehensive income for the period	31	233	145	218
Lending and leasing	25,708	191,156	190,698	192,547
Portfolio of securities	4,942	36,745	37,609	33,568
Assets	31,519	234,368	236,685	233,872
Debt securities issued	29,179	216,970	216,443	212,728
Equity	1,161	8,630	8,324	8,397
<b>Activities during the period</b>				
Lending and leasing, net additions in nominal value (net lending)	509	3,782	3,914	5,057
Lending and leasing, gross additions in nominal value	2,673	19,874	23,926	43,507
Issued securities, gross additions in nominal value	4,738	35,229	26,855	43,163
<b>Capital structure</b>				
Total Risk Exposure Amount (REA)	1,641	12,202	13,817	11,496
Common Equity Tier 1 (CET1) capital	1,161	8,630	8,324	8,397
Capital base	1,147	8,530	8,165	8,277
Capital ratio, pct.	70	70	59	72
Equity ratio, pct.	3.7	3.7	3.5	3.6
<b>Selected financial ratios</b>				
Losses on lending and leasing	0	0	0	0
Expenses/assets, pct.	0.03	0.03	0.03	0.06
Net interest income/assets, pct.	0.08	0.08	0.09	0.19
Liquidity resources, pct.	15	15	15	13
Number of full-time employees	87	87	79	82

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark. Exchange rate at 30/06/2021: EUR 100 = DKK 743.5822. The format is unchanged from last year.

# Steady and value-creating

KommuneKredit plays an important role in helping to grow and develop Danish society. KommuneKredit enables Danish municipalities and regions to achieve their ambitions to create the best conditions and most sustainable solutions by providing financing at the lowest possible cost.

For example when local communities establish new and modern facilities to support associations or regions install new kitchens in hospitals. Or when municipalities lease cargo bicycles that allow day care providers to transport the children more easily, build modern, subsidised housing for the elderly to improve their quality of life, or build roadside ducts to protect urban areas against cloudbursts. Another example is financing for Danish waterworks when they roll out new technology to ensure that we can safely continue to drink our tap water.

Regardless of the size of the project or where in Denmark it takes place, we offer financing at the lowest possible cost and on equal terms for everyone. In this way, we not only create equal opportunities across Denmark – we also create cohesion

and a platform allowing municipalities and regions and, ultimately, our citizens to get as much growth and development for their money as possible.

We fund our loans by issuing bonds to investors all around the world. KommuneKredit is an association, and our members – all municipalities and regions in Denmark – are jointly and severally liable for our liabilities. This approach allows us to borrow funds at a very low rate of interest. As our administrative expenses are quite low – and we do not have to make a profit on our lending and leasing operations or pay dividends to our owners – our members are secured the lowest possible interest on their loans.

On the basis of strong financial capabilities and a profound respect for the responsibility that comes with being the credit provider for municipalities and regions, we create a secure and stable link between global funding and local lending – both now and in the future.

## Mission



KommuneKredit shall contribute to financial latitude in Danish municipalities and regions by providing funding and financial advice at the lowest possible cost.

## Vision



We will always be the best funding choice for our customers, regardless of the given framework.

We will be modern, efficient and engaged, with a focus on high quality, steadiness and stability.

### Risk weight

# 0%

There is a risk weight of 0% when banks invest in KommuneKredit's bonds.

### LCR



# HQLA

Level 1 assets

KommuneKredit's issues are placed in the highest liquidity category in the LCR Delegated Act.

### High international credit rating

KommuneKredit is rated by Moody's and Standard & Poor's. The outlook is stable.

SHORT-TERM DEBT:

**P-1/  
A-1+**

LONG-TERM DEBT:

**Aaa/  
AAA**

# Joint and several liability – an unconditional strength

All of Denmark's municipalities and regions are members of KommuneKredit. They have joint and several liability for our obligations, and combined with our very secure business model this provides KommuneKredit with the highest possible credit rating – in line with that assigned to the Kingdom of Denmark.



## Joint and several liability

KommuneKredit is an association.  
Members – Denmark's 98 municipalities and 5 regions  
– represent the entire Danish population  
and are jointly and severally liable for our liabilities.



## Safe link

Acting as a safe link between global  
funding and local lending, KommuneKredit  
provides a financial foundation for  
developing the Danish welfare society.



## Funding of lending

KommuneKredit funds its lending by issuing  
securities in the Danish and international capital  
markets.

# CEO letter

KommuneKredit recorded a profit before value adjustments and tax of DKK 109 million for the first half of 2021, which is in line with expectations at the start of the year. The performance was a result of both lower net interest income and lower expenses than expected. Including value adjustments of DKK 190 million, comprehensive income for the first half of the year was DKK 233 million, which is higher than expected.



Nominal lending and leasing growth in the first half of 2021 was higher than expected. One of the reasons for this was the ability of local governments to accelerate investments due to the COVID-19 lockdown. Owing to interest rate developments, total lending at market value is almost unchanged relative to the end of 2020.

The budget agreement for 2022 between Danish Regions (Danske Regioner) and the government allows for the borrowing of money for payment of frozen holiday funds. As the amount runs to a little over DKK 6 billion in extra loans in the second half of 2021, we have upgraded our estimate for full-year lending growth to DKK 10 billion.

### **KommuneKredit's lending framework in the utilities segment**

The ability of local governments to raise loans and provide guarantees is subject to strict regulation, and KommuneKredit's lending and leasing activities are subject to these rules and EU state aid rules.

KommuneKredit therefore makes a specific assessment as to whether a given loan to e.g. district heating or waste incineration plants would comply with the rules on state aid. A general requirement is that there must be no direct competition in the area in question.

Against that background, KommuneKredit has regularly granted loans for major, long-term infrastructure investments in district heating and waste incineration plants. We currently have outstanding loans to district heating companies with a market value of DKK 33 billion and outstanding loans for waste incineration plants at a market value of a little over DKK 12 billion.

However, in both the district heating and the waste energy sector, political decisions have been made in Denmark in recent years which in the longer term could mean there would no longer be an adequate basis for KommuneKredit to grant loans to these sectors.

Among other things, certain legislative changes mean that from January 2019 municipalities can no longer order consumers to connect permanently to a network for district heating areas. However, the municipalities retain the authority to decide that a collective heating supply solution is the best from a socio-economic standpoint; to provide a public loan guarantee for project funding; and to impose a responsibility on the district heating company to provide utilities in the relevant area. Nevertheless, as municipalities can no longer order consumers to connect permanently to a network, some areas are beginning to see competitive pressure from other, individual heating solutions.

» *We would like to accommodate the needs and wishes of the individual employee for planning a flexible work life. Our goal is to offer an even more attractive workplace that creates the foundation for satisfied and committed employees."*

**Jens Lundager**  
CEO

Moreover, a political agreement was reached in June 2020 on amending the rules on waste incineration plants to the effect that the municipalities will be obliged to put the treatment of incinerable waste out to tender. This will result in direct competition among the municipally-owned waste incineration plants.

Loans from KommuneKredit on favourable terms – the same terms across Denmark – are currently raised to ensure the necessary modernisation and transition of our infrastructure. The projects involved require long-term planning, and KommuneKredit financing is

typically a precondition. A lack of access to loans from KommuneKredit would affect all areas of Denmark, but is expected to have a particularly strong impact on the green transition in rural areas. In some places there will be green projects for which financing will not be possible.

For example, in spring 2021 we granted a DKK 12.8 million loan to Glyngøre Fjernvarme against a guarantee from the Municipality of Skive for the installation of a new heat pump that will allow the plant to use green energy from Danish offshore wind turbines.

In the Municipality of Hjørring, Sindal Varmeforsyning and Vrå Varmeværk have raised loans totalling DKK 15 million for the replacement of the piping network and installation of a new transmission pipe. The loan will also finance a new electric boiler to replace an old gas turbine. The new electric boiler is powered by wind turbine electricity.

Haderslev Fjernvarme has raised a loan for DKK 305 million to ensure the expansion of the utilities segment so that more citizens may benefit from district heating. The loan will also finance an 11 MW heat pump installation, which again facilitates heat generation from renewable wind power.

Given the above, we are keeping a close eye on a draft of new state aid guidelines that was recently submitted for consultation by the European Commission, and which proposed extended and more flexible access to granting aid for energy-efficient district heating, including district heating based on waste incineration. The consultation process for the guidelines is expected to be finalised in the autumn and take effect on 1 January 2022. To support the realisation of Denmark's green transition ambitions, it would make sense for the government, the municipalities and KommuneKredit to jointly approach the European Commission with a view to obtaining approval of a general subsidy scheme under the auspices of the new guidelines.

#### **New act on KommuneKredit**

KommuneKredit is a special credit institution which is exempt from the EU's banking directive. There is a good reason for that as we only provide loans to projects considered and democratically decided upon at a political level in a municipality or region. The municipality or region assumes the financial risk relating to the projects, not KommuneKredit. KommuneKredit is a financial purchasing organisation for municipalities and regions rather than a credit institution. This is clearly illustrated by our 122-year history, during which we have never recorded a single loss on a loan.

In November 2021, the Danish Minister for Industry, Business and Financial Affairs is expected to submit a proposal for amending the Act on KommuneKredit (Act on Credit Institution for Local and Regional Authorities in Denmark ("lov om kreditforeningen af kommuner og regioner i Danmark"). Adoption of the bill would entail KommuneKredit having to comply with the regulation of credit institutions in some areas, including the rules on liquidity and governance – rules which KommuneKredit to a great extent already follows on our own initiative. The bill proposes a model which, in our assessment, is proportional to the risks assumed by KommuneKredit.

#### **Strategy 2025**

In December 2020, the Board adopted our new Strategy 2025, which builds on the work of the previous Strategy 2022. The strategy is designed to future-proof KommuneKredit as a well-run, accessible and sustainable, financial enterprise with public ownership that provides financing for local investments in infrastructure and sustainable transition at the lowest possible cost.

Our Strategy 2025 endeavours will focus on six strategic priorities: "The good customer experience", "Steady and stable market player", "Simple and robust IT framework", "Transparency and a solid reputation",

“Professionalisation” and “Integrating sustainability into our business model”.

In the first half of 2021, we have completed the establishment of a data warehouse to ensure a uniform data base for a large part of our business, and we will continue to extend this going forward. We are currently updating the framework for issuing green bonds, which includes looking into ways of strengthening the reporting of the positive effects achieved by local governments in projects where KommuneKredit provides financing.

We are modernising our central IT systems and processes in both the lending and the leasing area. In the leasing area, this involves a major upgrade of Foqus Finance, which is the IT system we use to manage our lease agreements from start to finish. In autumn 2021, we will embark on the projects which combined will form the new core platform for handling our loans – from the time we submit the loan offer until the customer pays the final instalment.

As part of the strategic priority “Steady and stable market player”, we are in the process of outsourcing the handling of the daily collateral connected with derivatives, which will contribute to mitigating operational risks.

As part of “Professionalisation”, we are focusing on change management in 2021. The initiatives engage all managers and employees in various activities over the course of the year, and by the end of 2021 we expect to have achieved a lasting improvement. Furthermore, we are dedicated to retaining and attracting skilled employees who have the capabilities we need to succeed with our Strategy 2025, and we have also implemented new recruitment and onboarding systems.

#### **KommuneKredit and COVID-19**

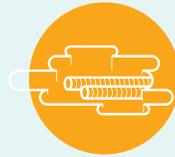
In the first half of 2021, we continued to work almost exclusively from home, both in terms of operations and development, and this has proved entirely satisfactory. Likewise, most of our internal and external meetings have been held as online meetings.

We plan to build on the good experience we have gained in connection with working from home during the COVID-19 pandemic when planning future work processes and meetings. From August to October 2021, we are conducting a trial period with a more modern and flexible way of working, as a part of which our employees, in close cooperation with their managers, plan where the work is to be carried out. Similarly, we will to a large extent continue with online meetings.

After the trial period, we will team up with our employees to evaluate the process with a view to deciding on a more permanent arrangement. We would like to accommodate the needs and wishes of the individual employee for planning a flexible work life. Our goal is to offer an even more attractive workplace that creates the foundation for satisfied and committed employees who perform to the best of their ability in all the areas we cover.

#### **Jens Lundager**

CEO



## Excess heat benefiting the citizens of Padborg

Sustainable solutions enabling the supply of heat to local communities form the basis of the collaboration between Padborg Fjernvarmeværk and Arla's local dairy in Kruså. The objective of the collaboration is to transform excess heat into domestic heating. This holistic approach to resources underpins the target of supplying 100% CO<sub>2</sub>-neutral heating to local citizens and businesses by 2030.

Padborg Fjernvarme maintains a razor-sharp focus on the green transition when developing sources of supply for local district heating. The most recent initiative is a three kilometre-long pipeline network and container that enables the district heating plant to tap excess heat from Arla's dairy in Kruså.

The excess heat was previously emitted into Flensborg Fjord but is now being transformed into heating for the citizens of Padborg. At the same time, the temperature of the water still emitted into the bay has been lowered from 20 to 5 degrees Celsius.

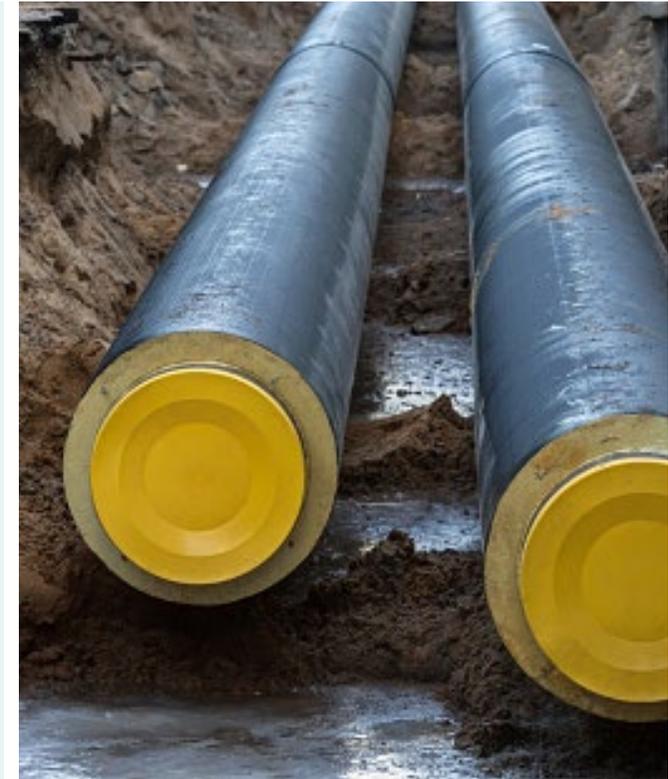
The gain from transforming the excess heat has been calculated at 6,000 MWh annually. This means that some 18,000 MWh of the total annual power consumption by Padborg's citizens of 30,000 MWh will be green heating. In 2019, one in three of the plant's consumers received CO<sub>2</sub>-neutral heating, so the management of the district heating plant is confident they can reach 100% CO<sub>2</sub>-neutral heating by 2030.

» *We have a clearly defined green agenda and a wish to meet the government's climate goals to the benefit of citizens and businesses in our local community. Consequently, our strategy for new sources of supply is to look for locally "anchored" potential, and this arrangement to use Arla's excess heat means we have taken a major leap forward.*

**Jan Riber Jakobsen**

Chairman of the board of directors, Padborg Fjernvarme a.m.b.a.

The new pipeline network and technical features are financed with a green loan from KommuneKredit.



### Facts

<b>Borrower:</b>	Padborg Fjernvarme a.m.b.a.
<b>Guarantor:</b>	Municipality of Aabenraa
<b>Loan purpose:</b>	Heat recovery project with heat pump
<b>Loan amount:</b>	DKK 16 million
<b>Construction period:</b>	2020

### Do you want to learn more?

Contact Christian Jeppesen, Director, Head of Lending and Leasing, [chj@kommunekredit.dk](mailto:chj@kommunekredit.dk)



## Denmark's first Swan-ecolabelled school

A new Swan-ecolabelled school in the town of Sundby in the Municipality of Guldborgsund represents a milestone event. Once completed, the building will provide a dynamic educational space for pupils and a venue for the entire local community.

SUNDskolen will be the first school in Denmark to be Swan-ecolabelled. A holistic approach has been used to meet the Swan ecolabel requirements.

Sustainable materials will help ensure the best learning environment for the school's 580 pupils (from grade 0 to 9 incl. pupils with physical or mental disabilities). The building is also designed for maximum flexibility, so capacity can be adjusted according to needs, while alternative spaces such as learning staircases, alcoves and group rooms will also be fully utilised.

The school's natural surroundings have also been incorporated as open-air facilities for teaching and playing and for environmental initiatives such as water drainage to rain gardens, roadside verges and lakes.

In addition to the sustainable choices, the school building also incorporates the UN's Sustainable Development Goals in everything from indoor climate to education.

» *We have a vision of being Denmark's education and learning municipality, and we practice what we preach. This school building is a specific example of our practical approach. Our pupils are given the best setting for learning and development, and our teaching methods will be based on the UN Sustainable Development Goals so that our children and young people receive important insight into the development of society.*

**Simon Hansen**

Chairman of the committee for children, family and education,  
Municipality of Guldborgsund

The construction work is financed through KommuneKredit in the form of property leasing.



### Facts

<b>Borrower:</b>	Guldborgsund Kommune
<b>Loan purpose:</b>	Building of a Swan-ecolabelled school
<b>Lease sum:</b>	DKK 150 million
<b>Lease term:</b>	25 years
<b>Construction period:</b>	2021-2022

### Do you want to learn more?

Contact Christian Jeppesen, Director, Head of Lending and Leasing, [chj@kommunekredit.dk](mailto:chj@kommunekredit.dk)

# Interim report in line with expectations

Profit before value adjustments for the first half of 2021 was on a level with expectations for the period. The level of lending and leasing activity was higher than expected with net lending of DKK 3.8 billion, and expectations of a continued increase in the second half have made us upgrade our full-year forecast.

## Earnings and capital base

Net interest income for the first half of 2021 was DKK 180 million, down DKK 41 million from the year-earlier level. As the equity ratio was 3.7 pct., there has been no need to maintain the level of net interest income.

In the first half of 2021, KommuneKredit ended its dialogue with Udbetaling Danmark regarding the administration of subsidised loans and the allocation of the payment of such loans. The matter was recognised as a contingent liability in Annual Report 2020. The outcome was that KommuneKredit paid compensation to Udbetaling Danmark of just under DKK 10 million. The compensation amount is recognised as an interest expense in comprehensive income.

Administrative expenses rose to DKK 68 million in the first half of 2021 from DKK 67 million in the same period of 2020. The increase was primarily due to our recruitment of new employees to support our transformation programme, which has resulted in higher staff costs. Annual administrative expenses continue to represent approximately 0.06 pct. of total assets.

Profit for the period before value adjustments was DKK 109 million, which is DKK 43 million less than in the first half of 2020. Relative to our guidance of a profit before value adjustments of DKK 240 million in 2021, the half-year performance is in line with expectations.

Value adjustments of financial instruments amounted to DKK 190 million in the first half of 2021, against DKK 35 million in the first half of 2020. The value adjustment is primarily caused by value adjustment on derivatives hedging of fixed-rate lease agreements and also by early repayments on loans and derivatives.

Comprehensive income for the period amounted to DKK 233 million, against DKK 145 million in the corresponding period last year. The increase was mainly driven by the higher positive value adjustment. Comprehensive income for the period is transferred to equity, which now totals DKK 8,630 million. KommuneKredit's equity consists in its entirety of retained earnings, as a result of which the Common Equity Tier 1 (CET1) capital corresponds to equity.

The Board of Directors' target is for equity to amount to at least 3.0 pct. of assets to support KommuneKredit's



» Value adjustments of financial instruments amounted to DKK 190 million in the first half of 2021, against DKK 35 million in the first half of 2020. The value adjustment is primarily caused by value adjustment on derivatives hedging of fixed-rate lease agreements and also by early repayments on loans and derivatives.”

**Morten Sjøtofte**  
Director, CFO

activities. As KommuneKredit has an equity ratio of 3.7 pct., the Board of Directors' target is met.

The capital ratio fell from 72 pct. at 31 December 2020 to 70 pct. at 30 June 2021. This is due to our implementation of the new method of calculating counterparty risk based on the EU regulation CRR II (SA-CCR). The new methods results in an increase in KommuneKredit's calculated counterparty exposure, and the higher risk exposure amount (REA) following the implementation results in a lower capital ratio.

### Lending and leasing

In the first half of 2021, total lending including leasing fell by DKK 1.3 billion to DKK 191.2 billion relative to the end of 2020. This covers an increase in net lending of DKK 3.8 billion, with new lending and leasing being greater than repayment instalments and redemptions, while a DKK 5.1 billion decline in value adjustment of lending results in an overall decline in total lending.

The positive net lending was on a level with the year-earlier period. As a result of the budget agreement between the government and Danish Regions, which opens up for the regions borrowing money for the payment of frozen holiday funds, we expect, relative to previous expectations, an increase in net lending for the second half-year of a little more than DKK 6 billion.

### Funding and investments

In the first half of 2021, KommuneKredit primarily sourced funding by way of public issues in EUR and USD, for a total amount of DKK 22.5 billion. Furthermore, a number of minor issues were made in GBP, CHF, NOK and SEK. Most of the outstanding funding before currency hedging is still in EUR, USD and DKK.

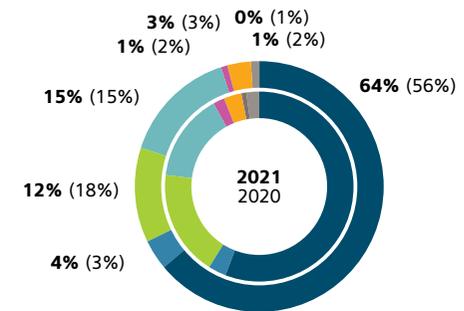
Total investments – due from credit institutions and the portfolio of securities – rose to DKK 37.1 billion from DKK 33.6 billion at end-2020 as a result of higher liquidity resources.

### Outlook for 2021

We still expect net interest income for 2021 of around DKK 400 million, while we have adjusted expectations for administrative expenses from DKK 160 million to DKK 140 million due to a timing difference of costs related to the Transformation Programme. Barring any value adjustments, we expect a pre-tax profit of DKK 260 million. In the first half of 2021, value adjustments amounted to DKK 190 million.

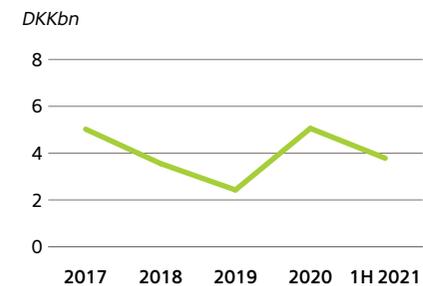
We upgrade our guidance for net lending for 2021 from DKK 4 billion to DKK 10 billion as a result of the budget agreement between the government and Danish Regions.

### Administrative expenses



- Salaries and pension contributions etc.
- Other staff costs
- Consulting fees
- IT licences
- Charges
- Property management
- Depreciation and amortisation of property plant and equipment and intangible assets
- Other administrative expenses

### Development in net lending



**The expectations stated in this interim report are inherently subject to uncertainties and may be affected by external factors. This may have the effect that actual developments and actual results may differ from the expectations expressed in the interim report.**



Financial statements  
**H1 2021**

## Comprehensive income

DKKkm	Note	H1 2021	H1 2020
Interest income		749	863
Interest expense		-568	-642
<b>Net interest income</b>		<b>180</b>	<b>221</b>
Other operating income		3	5
Other operating expenses		-7	-8
Administrative expenses		-68	-67
<b>Profit before value adjustments</b>		<b>109</b>	<b>152</b>
Value adjustments of financial instruments		190	35
<b>Profit before tax</b>		<b>299</b>	<b>186</b>
Tax on profit for the period		-66	-41
<b>Profit for the period</b>		<b>233</b>	<b>145</b>
<b>Other comprehensive income</b>			
Actuarial gains and losses		0	0
Tax on actuarial gains and losses		0	0
<b>Comprehensive income for the period</b>		<b>233</b>	<b>145</b>
<b>Allocated as follows:</b>			
Transferred to equity		233	145
<b>Total</b>		<b>233</b>	<b>145</b>

## Balance sheet

DKKkm	Note	30 Jun. 2021	31 Dec. 2020
<b>Assets</b>			
Due from credit institutions	3	305	22
Lending	3	183,195	184,807
Leasing		7,961	7,650
Portfolio of securities	3	36,745	33,568
Derivatives	3, 4	5,991	7,670
Other assets		136	120
Current tax assets		34	35
<b>Total assets</b>		<b>234,368</b>	<b>233,872</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to credit institutions		257	50
Debt securities issued	3	216,970	212,728
Derivatives	3, 4	7,501	11,722
Other liabilities		498	479
Current tax liabilities		39	23
Deferred tax liabilities		473	473
<b>Total liabilities</b>		<b>225,738</b>	<b>225,475</b>
<b>Equity</b>		<b>8,630</b>	<b>8,397</b>
<b>Total liabilities and equity</b>		<b>234,368</b>	<b>233,872</b>

## Equity

DKKm	Note	H1 2021	H1 2020
<b>Equity</b>			
Equity at 1 January		8,397	8,179
<b>Transferred to equity</b>			
Profit for the period		233	145
<b>Other comprehensive income</b>			
Actuarial gains and losses		0	0
Tax on other comprehensive income		0	0
<b>Other comprehensive income after tax</b>		<b>0</b>	<b>0</b>
<b>Transferred to equity in total</b>			
		<b>233</b>	<b>145</b>
<b>Equity at 31 December</b>		<b>8,630</b>	<b>8,324</b>

The comprehensive income for the period is transferred to equity in accordance with the articles of association of KommuneKredit.

Equity increased to DKK 8,630 million at 30 June 2021 from DKK 8,397 million at year-end 2020. At 30 June 2021, equity amounted to 3.7 pct. of total assets, representing a small increase relative to year-end 2020. Equity consists in its entirety of transferred comprehensive income.

Under the legal framework applying to KommuneKredit, equity must equal at least 1.0 pct. of total liabilities, equal to DKK 2,257 million. The Board of Directors' target is for equity to amount to at least 3 pct. of assets, which is considered adequate to support KommuneKredit's activities.

Equity includes the DKK 2 million net revaluation reserve.

## Cash flows

DKKm	Note	H1 2021	H1 2020
Profit before tax		299	186
Depreciation, amortisation and impairment		0	1
<b>Total</b>		<b>299</b>	<b>187</b>
Net interest income reversed		-180	-221
Financial income received		749	863
Financial expenses paid		-568	-642
Income tax paid		-50	-52
Change in lending		1,300	-5,734
Change in other assets		-15	201
Change in other liabilities		19	-248
<b>Cash flows from operating activities</b>		<b>1,255</b>	<b>-5,832</b>
Change in securities		-3,178	7,373
<b>Cash flows from investing activities</b>		<b>-3,178</b>	<b>7,373</b>
Change in debt securities issued		4,242	-2,504
Derivative financial liabilities		-4,221	2,341
Derivative financial assets		1,679	-1,586
<b>Cash flows from financing activities</b>		<b>1,700</b>	<b>-1,750</b>
<b>Change in cash and cash equivalents</b>		<b>76</b>	<b>-22</b>
Deposits in credit institutions		22	5
Short-term payables to credit institutions		0	-80
<b>Cash and cash equivalents, 1 January</b>		<b>22</b>	<b>-75</b>
Deposits in credit institutions		305	9
Short-term payables to credit institutions		-207	-107
<b>Cash and cash equivalents, 30 June</b>		<b>98</b>	<b>-98</b>

## Note 1

### Accounting policies

#### General

This interim report covers the period from 1 January to 30 June 2021.

The interim report is presented in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU, and additional disclosure requirements for interim reports.

Unless otherwise indicated, all amounts in the interim report are stated in DKK millions. The stated totals have been calculated on the basis of actual amounts before rounding. As amounts are rounded to DKK millions, there may be minor differences between the sum of individual amounts and the stated totals.

Except for the change described below, the accounting policies are unchanged from the policies applied in Annual Report 2020. Reference is made to the annual report for a complete description of the accounting policies.

#### Change in accounting policies

In 2021, KommuneKredit implemented and followed the new or amended standards as adopted by the EU, effective for financial years commencing on or after 1 January 2021. In particular, these include "Amendments to IFRS 9, IAS 39 and IFRS regarding IBOR reform, phase 2".

The IBOR reform entails that most LIBOR rates will cease to exist at the end of 2021. KommuneKredit primarily has derivatives referring to these rates, but most of the expo-

sure is hedged. The change is only expected to have a limited impact on the valuation of the derivatives, although there will be an increase in volatility.

There are no new or amended IFRS standards or interpretations entering into force and effective for the financial year 2021 or later which are considered to have an effect on the financial reporting for 2021.

#### Significant accounting estimates and judgments

In the preparation of the interim financial statements, management makes a number of accounting estimates and judgments. The estimates and judgments are made in accordance with the accounting policies based on assumptions that management finds reasonable and realistic but which are inherently uncertain and unpredictable. The accounting estimates and judgments are tested and assessed in an ongoing process to ensure that they reflect the historical experience and assessments of future conditions.

The accounting estimates and judgments that are deemed critical to the financial statements are where the calculation of fair value is based on input not directly observable in the market and where there are no opposite effect.

In particular, estimates and judgments with respect to the valuation of debt securities issued that are not a part of the bond circuit may affect the financial statements. For these

securities there is no active market, as a result of which significant accounting estimates are used in the valuation.

Estimates and judgments in the valuation of certain derivatives may also affect the financial statements, as there are no directly observable prices in the market. Observable input in generally accepted cash flow models is used instead.

In the valuation of loans which are not part of the bond circuit, there is no observable market, which means that KommuneKredit applies own current lending prices as market prices.

For all other financial instruments, valuation does not involve significant estimates. This is either because these instruments have quoted prices in an active market, or because there is no significant accounting impact of the estimates applied.

Relative to the annual report for 2020, there have been no changes to accounting estimates, and a full description of applied methods and principles for determining accounting judgments and estimates with respect to the fair value of financial instruments is provided in the annual report for 2020.

COVID-19 did not have any material impact on KommuneKredit's comprehensive income or financial position. Additional information is provided in the management's review.

## Note 2

### Events after the balance sheet date

No significant events occurred after the balance sheet date.

## Note 3

### Fair value

In accordance with IFRS 13, financial instruments measured at fair value must be classified in a fair value hierarchy ranging from level 1 to level 3, depending on how the fair values have been determined and the data on which they are based. The fair value is the amount for which a financial asset or a financial liability can be exchanged between knowledgeable, willing parties.

Fair value is measured on the basis of the following hierarchy:

**Level 1:** Quoted prices in an active market for identical assets or liabilities.

**Level 2:** Observable input based on quoted prices in an active market for similar assets or liabilities, or other valuation methods in which the valuation is based substantially on observable input.

**Level 3:** Non-observable input where the valuation is not based substantially on observable input.

The valuation of fair values in levels 2 and 3 is based on generally accepted models. KommuneKredit uses both A) listed prices for similar issues adjusted for liquidity, credit risk and conversion rights and B) discounted cash flow models, where all estimated and fixed cash flows are discounted using zero coupon interest curves, interest structure and options models.

**A)** KommuneKredit uses listed prices for similar issues adjusted for liquidity, credit risk and conversion rights on the part of debt securities issued and loans which is referred to as the bond circuit. The bond circuit is characterised by being based on the mortgage credit balance principle where the terms and conditions underlying the debt securities issued by KommuneKredit are passed on directly to the bond loan to the customer plus a margin determined by KommuneKredit.

All of these securities are issued on Nasdaq Copenhagen, but the bonds are illiquid as the frequency and volume of trading is insufficient. Consequently, the listed price cannot be used, and listed prices from similar issues adjusted for liquidity, credit risk and conversion rights are used instead. Similar issues could be mortgage or government bonds with similar characteristics. As the credit risk on loans to customers corresponds to the issued debt securities, the price of the debt securities issued is also used for the bond loan. Price changes will thus not have any impact on the result.

**B)** KommuneKredit uses discounting of cash flows on derivatives, on loans raised at fair value and which are not part of the bond circuit and on the remaining part of the debt securities issued. These issued securities are also considered illiquid.

The calculation of fair value in level 2 includes observable input like swap rates, FX base swap spreads and exchange rates, etc. KommuneKredit's estimate of the actual funding expenses is also included in the valuation of debt securities issued. The valuation of lending also includes KommuneKredit's current lending prices. KommuneKredit aims to keep lending margins relatively constant by adjusting the actual lending prices on a regular basis against estimated, current funding expenses. The sensitivity associated with estimating actual funding expenses will thus be partly set off by changes in current lending prices. This means that the total value adjustment is considered to have a maximum net effect in the range of +/- DKK 250 million.

A small part of KommuneKredit's debt securities issued and derivatives is classified as fair value level 3. The level is used for structured notes and pertaining hedging derivatives for which input, in addition to input that applies to fair value level 2, also consists of non-observable input like volatility of currencies, shares and commodities and their correlation. The structured notes issued are micro-hedged by derivatives, and changes in the non-observable input will therefore not have any significant impact on the profit as changes in issuance will have an opposite effect on the derivative.

KommuneKredit pursues a risk management strategy of eliminating market risk by using

financial instruments. Consequently, the total net effect on the statement of comprehensive income and equity derived from changes in estimates and assumptions used to calculate the fair value under levels 2 and 3 is reduced to include changes in the funding expenses and lending prices.

The ongoing "Interest Rate Benchmark Reform" serves to replace the current "London Interbank Offered Rate" (LIBOR) with alternative risk-free rates. KommuneKredit does not use hedge accounting in its valuation process, but by using discounting of cash flows in fair value levels 2 and 3, KommuneKredit is to a limited extent exposed to changes in the affected benchmark rates, as a small proportion of KommuneKredit's derivatives are based on LIBOR.

KommuneKredit has set up a project group to handle the transition to the new benchmark rates and adheres to ISDA's protocol regarding fallback clauses. As the vast majority of the affected cash flows are hedged, the transition to the new benchmark rates is not expected to have any major impact on KommuneKredit's results.

No transfers between the levels were made in H1 2021.

## Note 3

### Specification of fair value of financial instruments

DKKm	Level 1	Level 2	Level 3	Total
<b>30 Jun. 2021</b>				
<b>Assets</b>				
Due from credit institutions	305	0	0	305
Lending	0	183,195	0	183,195
Portfolio of securities	36,745	0	0	36,745
Derivatives	0	5,257	734	5,991
<b>Total assets</b>	<b>37,050</b>	<b>188,452</b>	<b>734</b>	<b>226,236</b>
<b>Liabilities</b>				
Due to credit institutions	207	50	0	257
Debt securities issued	0	211,155	5,815	216,970
Derivatives	0	7,301	200	7,501
<b>Total liabilities</b>	<b>207</b>	<b>218,506</b>	<b>6,015</b>	<b>224,728</b>

DKKm	Level 1	Level 2	Level 3	Total
<b>31 Dec. 2020</b>				
<b>Assets</b>				
Due from credit institutions	22	0	0	22
Lending	0	184,807	0	184,807
Portfolio of securities	33,568	0	0	33,568
Derivatives	0	6,854	816	7,670
<b>Total assets</b>	<b>33,590</b>	<b>191,661</b>	<b>816</b>	<b>226,067</b>
<b>Liabilities</b>				
Due to credit institutions	0	50	0	50
Debt securities issued	0	206,368	6,360	212,728
Derivatives	0	11,325	397	11,722
<b>Total liabilities</b>	<b>0</b>	<b>217,743</b>	<b>6,757</b>	<b>224,500</b>

## Note 3

### Specification of level 3 fair value

DKKm	1 Jan.	Additions	Disposals	Recognised in profit for the period	31 Dec.
<b>30 Jun. 2021</b>					
<b>Assets</b>					
Due from credit institutions	0	0	0	0	0
Lending	0	0	0	0	0
Portfolio of securities	0	0	0	0	0
Derivatives	816	0	0	-82	734
<b>Total assets</b>	<b>816</b>	<b>0</b>	<b>0</b>	<b>-82</b>	<b>734</b>
<b>Liabilities</b>					
Due to credit institutions	0	0	0	0	0
Debt securities issued	6,360	0	-507	-38	5,815
Derivatives	397	0	-220	23	200
<b>Total liabilities</b>	<b>6,757</b>	<b>0</b>	<b>-727</b>	<b>-15</b>	<b>6,015</b>

DKKm	1 Jan.	Additions	Disposals	Recognised in profit for the period	31 Dec.
<b>31 Dec. 2020</b>					
<b>Assets</b>					
Due from credit institutions	0	0	0	0	0
Lending	0	0	0	0	0
Portfolio of securities	0	0	0	0	0
Derivatives	814	0	-11	13	816
<b>Total assets</b>	<b>814</b>	<b>0</b>	<b>-11</b>	<b>13</b>	<b>816</b>
<b>Liabilities</b>					
Due to credit institutions	0	0	0	0	0
Debt securities issued	7,822	0	-1,008	-454	6,360
Derivatives	354	0	-164	207	397
<b>Total liabilities</b>	<b>8,176</b>	<b>0</b>	<b>-1,172</b>	<b>-247</b>	<b>6,757</b>

## Note 4

### Offsetting

KommuneKredit settles foreign exchange transactions and derivatives on a net basis when a master netting agreement (ISDA Master Agreement) includes an agreement on Cross-Transaction Payment Netting. The net settlement entails that the accounting values for derivatives contain offsetting in the balance sheet. Total offsetting amounted to DKK 4,558 million at 30 June 2021, against DKK 4,965 million at 31 December 2020.

In ISDA Master Agreements where no Cross-Transaction Payment Netting is included, the accounting values will not include offsetting. The netting value of derivatives not offset has been limited to the lesser of assets and liabilities calculated per counterparty. The amount is included in both assets and liabilities.

ISDA Master Agreements include unilateral or bilateral collateral agreements relating to derivatives. Collateral received and posted under these agreements solely includes bonds with a high credit rating. The amount of collateral is calculated per counterparty and has been limited to the net value of the financial instruments for which the bonds have been provided as collateral. The collateral agreements only entitle offsetting of collateral in case of bankruptcy and not on a regular basis. No offsetting is applied for the value of the collateral.

KommuneKredit has not entered into any netting agreements and has not posted or received any collateral in relation to lending, leasing or debt securities issued. Accordingly, these financial instruments are not included in the following table. Carrying amounts appear from the balance sheet.

### Derivatives presented in the balance sheet

DKKm	Values offset			Values not offset		
	Gross carrying amount	Set-off	Carrying amount	Financial instruments	Collateral	Net value
<b>30 Jun. 2021</b>						
Assets	10,549	-4,558	5,991	-847	-3,926	1,218
Liabilities	12,059	-4,558	7,501	-847	-4,107	2,547
<b>Net</b>	<b>-1,510</b>	<b>0</b>	<b>-1,510</b>	<b>0</b>	<b>181</b>	<b>-1,329</b>
<b>31 Dec. 2020</b>						
Assets	12,635	-4,965	7,670	-759	-5,386	1,525
Liabilities	16,687	-4,965	11,722	-759	-8,052	2,911
<b>Net</b>	<b>-4,052</b>	<b>0</b>	<b>-4,052</b>	<b>0</b>	<b>2,666</b>	<b>-1,386</b>

## Note 5

### Liquidity resources

The supervisory authority allows KommuneKredit to build up liquidity resources, based on pre-funding of up to 25 pct. of total lending at the end of the preceding quarter. The upper limit amounted to DKK 46.8 billion at the end of the period, and KommuneKredit had liquidity resources of DKK 27.6 billion. The utilisation of the limit has fluctuated in 2021 to date, and the highest level of liquidity resources at the end of a month was 17 pct.

Liquidity resources are calculated as due to credit institutions, debt securities issued and derivatives less total lending and lease receivables recognised at carrying amount.

DKKm	Note	30 Jun. 2021	31 Dec. 2020
<b>Liquidity resources</b>			
<b>Due to credit institutions, debt securities issued and derivatives</b>			
Due to credit institutions		257	50
Debt securities issued		216,970	212,728
Derivatives, liabilities		7,501	11,722
Derivatives, assets		-5,991	-7,670
<b>Total due to credit institutions, debt securities issued and derivatives</b>		<b>218,737</b>	<b>216,830</b>
<b>Lending and leasing</b>			
Lending		183,195	184,807
Leasing		7,961	7,650
<b>Total lending</b>		<b>191,156</b>	<b>192,457</b>
<b>Liquidity resources</b>		<b>27,580</b>	<b>24,373</b>
Liquidity resources cannot exceed 25 pct. of total lending at the end of the preceding quarter.			
Liquidity resources		27,580	24,373
Total lending at 31 March 2021		187,237	191,349
<b>Liquidity resources, pct.</b>		<b>15</b>	<b>13</b>

## Note 6

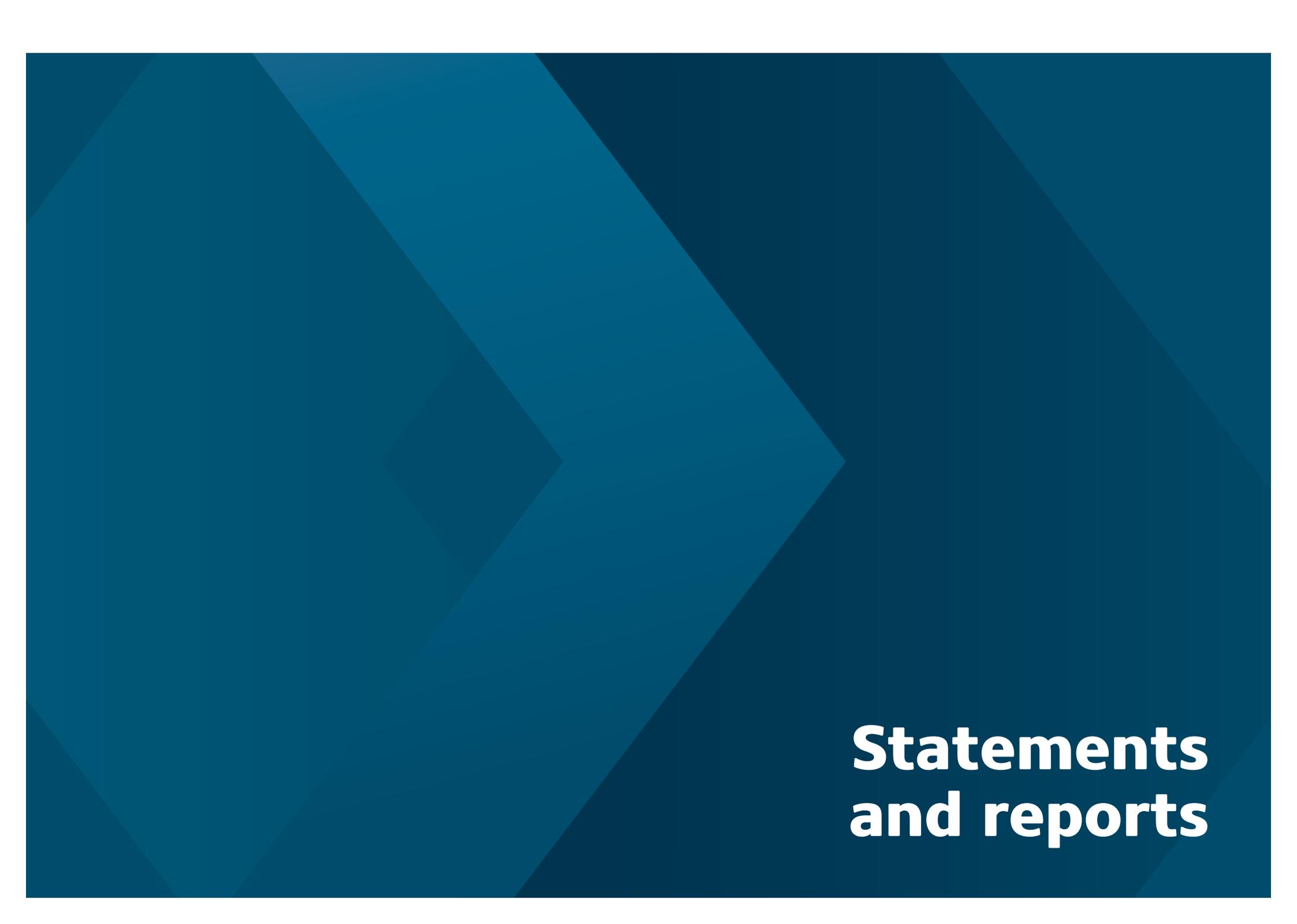
### Financial highlights

Million	First half	Full year					
	2021	2021	2020	2019	2018	2017	2020
	EUR	DKK	DKK	DKK	DKK	DKK	DKK
<b>Key figures for the period</b>							
Net interest income	24	180	221	250	235	341	440
Other operating income	0	3	5	7	6	6	15
Other operating expenses	-1	-7	-8	-7	-7	-7	-14
Administrative expenses	-9	-68	-67	-62	-62	-58	-130
Profit before value adjustments	15	109	152	187	172	282	311
Value adjustments of financial instruments	26	190	35	218	163	63	-33
Tax on profit for the period	-9	-66	-41	-89	-74	-76	-60
Comprehensive income for the period	31	233	145	316	261	269	218
Lending and leasing	25,708	191,156	190,698	185,878	176,788	172,271	192,547
Portfolio of securities	4,942	36,745	37,609	42,181	45,683	42,706	33,568
Assets	31,519	234,368	236,685	237,182	229,599	230,199	233,872
Debt securities issued	29,179	216,970	216,443	216,451	207,718	210,357	212,728
Equity	1,161	8,630	8,324	8,052	7,593	7,113	8,397
<b>Activities during the period</b>							
Lending and leasing, net additions in nominal value	509	3,782	3,914	2,774	3,423	4,939	5,057
Lending and leasing, gross additions in nominal value	2,673	19,874	23,926	17,995	24,067	19,008	43,507
Debt securities issued, gross additions in nominal value	4,738	35,229	26,855	31,762	42,871	54,741	43,163

Million	First half	Full year					
	2021	2021	2020	2019	2018	2017	2020
	EUR	DKK	DKK	DKK	DKK	DKK	DKK
<b>Capital structure</b>							
Total Risk Exposure Amount (REA)*	1,641	12,202	13,817	14,366	19,926	9,699	11,496
Common Equity Tier 1 (CET1) capital	1,161	8,630	8,324	8,052	7,593	7,113	8,397
Capital base	1,147	8,530	8,165	7,851	7,340	6,590	8,277
Capital ratio, pct.*	70	70	59	55	37	68	72
Equity ratio, pct.	3.7	3.7	3.5	3.4	3.3	3.1	3.6
<b>Selected financial ratios</b>							
Losses on lending and leasing Expenses/assets, pct.	0.03	0.03	0.03	0.03	0.03	0.03	0.06
Net interest income/assets, pct.	0.08	0.08	0.09	0.11	0.10	0.15	0.19
Liquidity resources, pct.	15	15	15	18	22	24	13
Number of full-time employees	87	87	79	74	69	69	82

\* The figures are not directly comparable over time because the format has been changed.

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark. Exchange rate at 30/06/2021: EUR 100 = DKK 743.5822.



# **Statements and reports**

# Statement by the Board of Directors and Management Board

The Board of Directors and the Management Board have today considered and adopted the interim report of KommuneKredit for the period 1 January – 30 June 2021.

The interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU.

It is our opinion that the interim financial statements give a true and fair view of the financial position of KommuneKredit at 30 June 2021 and of the comprehensive income of KommuneKredit’s operations and cash flows for the period 1 January – 30 June 2021.

Further, in our opinion, the Management’s review gives a true and fair view of the development in KommuneKredit’s operations and financial matters, principal risks and uncertainties, the comprehensive income for the period and KommuneKredit’s overall financial position.

Copenhagen, 9 September 2021

## Management Board

**Jens Lundager**  
Chief Executive Officer  
Managing Director

**Henrik Andersen**  
Managing Director

**/Morten Sjøtofte**  
Director, CFO

## Board of Directors

**Lars Krarup**  
Chairman

**Thomas Lykke Pedersen**  
Vice Chairman

**Martin Geertsen**

**Kaj V. Holm**

**Mikael Klitgaard**

**Erik Lauritzen**

**Leila Lindén**

**Erik Nielsen**

**Hans Toft**

**Birgit Aagaard-Svendsen**

# Independent auditor's report on review of the interim financial statements

To the Board of Directors of  
KommuneKredit

We have conducted a review of the interim financial statements of KommuneKredit for the period 1 January 2021 – 30 June 2021, which comprises statement of comprehensive income, balance sheet statement, statement of changes in equity, statement of cash flows, and notes including applied accounting policies.

## MANAGEMENT'S RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

Management is responsible for the preparation of the interim financial statements in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. Management is, furthermore, responsible for such internal controls as Management deems necessary to prepare interim financial statements free of material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the interim financial statements. We have conducted our review in accordance with the international standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity and further requirements under Danish audit regulation. This requires us to conclude

whether anything has come to our attention, which causes us to believe that the interim financial statements, as a whole, have not in all material aspects been prepared in accordance with the relevant accounting framework. This also requires us to comply with ethical requirements.

A review of the interim financial statements conducted in accordance with the international standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditors perform procedures primarily consisting of making inquiries of Management and others in KommuneKredit, as appropriate, as well as applying analytical procedures and evaluating the evidence obtained.

The extent of the procedures carried out in a review is substantially less than in an audit performed in accordance with the International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim financial statements.

## OPINION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements for the period 1 January 2021 – 30 June 2021 have not, in all material respects, been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU.

## STATEMENT ON MANAGEMENT'S REVIEW

As part of our review we have read Management's review. We have not performed further actions in addition to the completed review of the interim financial statements.

On this basis, we are of the opinion that the information in Management's review is in accordance with the interim financial statements.

Copenhagen, 9 September 2021

## DELOITTE

Statsautoriseret Revisionspartnerselskab  
Company reg. (CVR) no. 33 96 35 56

### Anders Oldau Gjelstrup

State Authorised  
Public Accountant  
MNE no. 10777

### Jens Ringbæk

State Authorised  
Public Accountant  
MNE no. 27735

# Report by the auditor appointed by the ministry

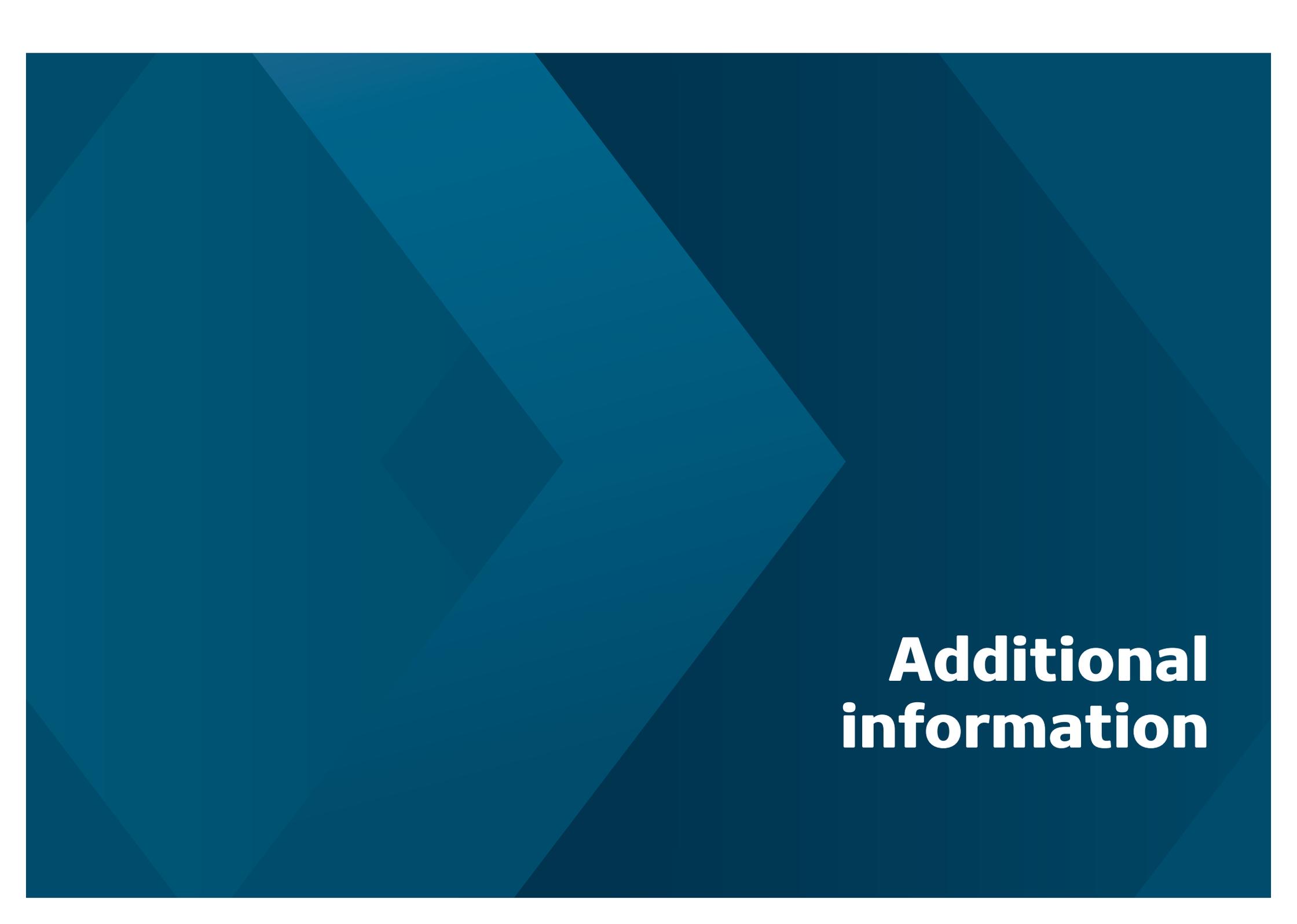
To the Board of Directors of  
KommuneKredit

As the auditor appointed by the ministry, I have reviewed the interim financial statements of KommuneKredit for the period 1 January 2021 – 30 June 2021, prepared by Management. In addition, I have read the Management's review.

During my review, I did not identify any non-compliance with the Danish act governing KommuneKredit or KommuneKredit's articles of association. The audit procedures performed by Deloitte did not give rise to any comments on my part.

Copenhagen, 9 September 2021

**Thorkil Juul**



**Additional  
information**

# Definitions and formulas

**Benchmark:** Public issues under a standard loan programme. Maturities often vary between 3 and 10 years depending on currency.

**Cross-Transaction Payment Netting:** When payments are netted into one net payment across multiple transactions.

**CRR/CRD IV:** Capital Requirements Regulation and Capital Requirements Directive IV are the European implementation of the international Basel III rules on, among other things, financial institutions' capital and liquidity resources.

**CVA/DVA:** Credit Value Adjustment (CVA) designates the value by which derivatives must be adjusted to reflect the probability of a counterparty's default. Debt Value Adjustment (DVA) designates the value by which derivatives must be adjusted to reflect the probability of KommuneKredit's default.

**ECP:** European Commercial Paper. Issues under a standard loan programme with a short term to maturity.

$$\text{Equity ratio} = \frac{\text{Equity}}{\text{Total assets}}$$

**Common Equity Tier 1 (CET1) capital:** Equity less various deductions, which in KommuneKredit's case is zero.

**Funding spread:** KommuneKredit's funding spread is its funding costs relative to the variable market rate in DKK. In other words, the funding spread is the price of KommuneKredit's funding in DKK.

**Green Bond Framework:** The framework for KommuneKredit's issue of green bonds, including the criteria defining which loan purposes may be classified as green.

**Haircut:** Deductions in the quoted price of bonds, the size depending on the liquidity properties of the bond.

**HQLA:** High-quality liquid assets.

**IBOR:** Interbank Offered Rate is a set of interbank rates (or IBORs) used for example as reference rates in derivatives contracts. Examples of IBORs are LIBOR, EURIBOR and CIBOR.

**ISDA Master Agreement:** Bilateral framework agreement and master netting agreement for bilateral trading of derivatives between financial counterparties.

**Capital base:** Common Equity Tier 1 (CET1) capital less various deductions (e.g. prudent valuation, current losses, intangible assets).

$$\text{Capital ratio} = \frac{\text{Capital base}}{\text{Total Risk Exposure Amount (REA)}}$$

The capital ratio is calculated in accordance with the solvency requirements for financial institutions.

**Total liquidity resources:** The total liquidity resources are composed of equity and liquidity resources.

**Liquidity Coverage Ratio (LCR):** Indicates the ratio between the portfolio of liquid assets and the net runoff from cash flows over a 30-day horizon in a stress scenario. The financial ratio was introduced in connection with Basel III and subsequently CRR/CRD IV.

**Nasdaq Copenhagen:** The stock exchange in Copenhagen.

**Net Stable Funding Ratio (NSFR):** The ratio between defined stable funding and the estimated need for stable funding. The financial ratio was introduced in connection with Basel III and subsequently CRR/CRD IV.

**Net lending:** Net additions of loans and leasing at nominal value.

**Private placement:** An bond issue directed at a single investor. Issues may be denominated in different currencies and have different maturities.

**Risk tolerance:** The level of risk a business is willing to accept.

**Risk weight:** Weight attributed to the individual exposures when calculating the capital ratio. The financial ratio was introduced in connection with Basel III and subsequently CRR/CRD IV.

**Total risk exposure amount (REA)** The value of total assets when calculating the capital ratio, allowing for the risk weight of the exposure. Total risk exposure amount is calculated in accordance with the Capital Requirements Regulation (CRR).

**Collateral agreement (Credit Support Annex):** Agreement between financial counterparties regarding exchange of collateral in case of fluctuations in the market value of derivatives.

**STP:** In the financial sector, Straight-through-processing (STP) defines financial transactions with no manual intervention involved.

**Structured notes:** Structured notes are typically a mixture of bonds and an embedded element of derivatives (most often options) which provides exposure to other forms of investment assets, for example developments in a price, interest rate or equity index or a selection of equities.

**Liquidity resources:** Amounts due to credit institutions, debt securities issued and derivatives minus lending.

**Disclaimer** the interim report is prepared in Danish and translated into English. In the event of discrepancies the Danish version shall prevail.

**Photos** Henning Larsen Architects and KommuneKredit

**Thanks to** Municipality of Guldborgsund, Padborg Fjernvarme and Arla for their participation in cases.

**Design and production** Noted

## Contacts

Jens Lundager, Chief Executive Officer,  
Managing Director

Please direct questions regarding  
bond issuance to: Jette Moldrup,  
Director, Head of Treasury

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